

this area. No area in Illinois remains under quarantine.

Accordingly, Part 79, Title 9, Code of Federal Regulations, is hereby amended in the following respect:

§ 79.2 [Deleted]

(Secs. 6 and 7, 23 Stat. 32, as amended; secs. 1 and 2, 32 Stat. 791-792, as amended; secs. 1-4, 33 Stat. 1264, 1265, as amended; secs. 3, 4 and 11, 76 Stat. 130, 132; (21 U.S.C. 111, 115, 117, 120, 121, 123-126, 134b, 134c, 134f; 37 FR 28464, 28477; 38 FR 19141.))

Effective date. The foregoing amendment shall become effective April 23, 1975.

The amendment relieves certain restrictions no longer deemed necessary to prevent the spread of scrapie in sheep, and must be made effective immediately to be of maximum benefit to affected persons. It does not appear that public participation in this rulemaking proceeding would make additional relevant information available to the Department.

Accordingly, under the administrative procedure provisions in 5 U.S.C. 553, it is found upon good cause that notice and other public procedure with respect to the amendment are impracticable and unnecessary, and good cause is found for making it effective less than 30 days after publication in the FEDERAL REGISTER.

Done at Washington, D.C., this 23rd day of April 1975.

PIERRE A. CHALOUX,
Acting Deputy Administrator,
Veterinary Services, Animal
and Plant Health Inspection
Service.

[FR Doc. 75-11045 Filed 4-25-75; 8:45 am]

SUBCHAPTER E—VIRUSES, SERUMS, TOXINS,
AND ANALOGOUS PRODUCTS: ORGANISMS
AND VECTORS

PART 113—STANDARD REQUIREMENTS

Miscellaneous Amendments

On March 12, 1975, a notice of proposed amendments to Part 113 was published in the FEDERAL REGISTER at 40 FR 11587.

These amendments either clarify, correct, or eliminate where justified, certain Standard Requirements for evaluating live virus biological products containing live avian encephalomyelitis virus, avian pox virus, bronchitis virus, fowl laryngotracheitis virus, Newcastle disease virus, and Marek's disease virus prescribed in §§ 113.160, 113.161, 113.162, 113.163, 113.164, and 113.165. These changes are being made in response to a review of the Standard Requirements in these regulations by a joint committee composed of Veterinary Services personnel and representatives of poultry biologics producers.

A comment was received objecting to the challenge procedure for testing Newcastle Disease Vaccine. This comment was in direct conflict with the recommendations of the joint committee, other poultry biologics producers, and Veterinary Services personnel. Therefore, the comment was not accepted.

One suggestion received would limit the number of embryos in the virus-recovery test used to evaluate bronchitis virus. Another would limit the type of chickens to be used in the safety test for laryngotracheitis vaccine. Both suggestions would impose unwarranted restrictions and were not considered acceptable.

After due consideration of all relevant matters, including the proposals set forth in the aforesaid notice of rulemaking and pursuant to the authority contained in the Virus-Serum-Toxin Act of March 4, 1913 (21 U.S.C. 151-158), the amendments of Part 113 of Subchapter E, Chapter 1, Title 9 of the Code of Federal Regulations, as contained in the aforesaid notice are hereby adopted and are set forth herein, subject to the following noted printing errors:

The true names of biological products in the headings for §§ 113.160, 113.161, 113.162, 113.163, 113.164, and 113.165 should be capitalized.

The fifth and sixth line in § 113.163(b) should be reversed. The spelling of laryngotracheitis should be corrected in § 113.163(d) (2) (iv).

The size of type used in the last part of § 113.164(d) (2) (iv) should be the same as the rest of the regulations.

1. § 113.160 is amended by revising paragraphs (b), (c) (1), (c) (2) (i), and (d), and (d); by revising the introductory portion of paragraph (e); by revising paragraph (e) (1) (i); and by adding paragraph (e) (3) to read:

§ 113.160 Avian Encephalomyelitis Vaccine.

(b) Each lot of Master Seed Virus shall be tested for pathogens by the chicken embryo inoculation test prescribed in § 113.37, except that, if the test is inconclusive because of a vaccine virus override, the test may be repeated and if the repeat test is inconclusive for the same reason, the chicken inoculation test prescribed in § 113.36 may be conducted and the virus judged accordingly.

(c) * * *

(1) Avian encephalomyelitis susceptible chickens all of the same age (eight weeks or older) and from the same source, shall be used. Twenty or more chickens shall be used as vaccinates for each method of administration recommended on the label. Ten additional chickens of the same age and from the same source shall be held as unvaccinated controls.

(2) * * *

(i) For each dilution, inoculate at least 10 embryos, 5 or 6 days old, in the yolk sac with 0.2 ml each. Twenty similar embryos obtained from the same source shall be kept as uninoculated negative controls. Disregard all deaths during the first 48 hours post-inoculation.

(ii) Eggs for each dilution shall be kept in separate containers and allowed to hatch. Sufficient precaution shall be taken to assure that chickens from each dilution remain separated. To be a valid test, at least 75 percent of the uninoculated eggs shall hatch.

(d) After a lot of Master Seed Virus has been established as prescribed in paragraphs (a), (b), and (c) of this section, each serial and subserial shall meet the applicable requirements in § 113.135 and the requirements prescribed in this paragraph.

(1) Final container samples from each serial shall be tested for pathogens by the chicken embryo inoculation test prescribed in § 113.37, except that, if the test is inconclusive because of a vaccine virus override, the test may be repeated and if the repeat test is inconclusive for the same reason, the chicken inoculation test prescribed in § 113.36 may be conducted and the vaccine judged accordingly.

(2) **Safety test.** Final container samples of completed product shall be tested for safety as follows:

(i) At least 25 AE susceptible birds (6 to 10 weeks of age) shall be vaccinated with the equivalent of 10 doses by each of all routes recommended on the label and be observed each day for 21 days.

(ii) If unfavorable reactions attributable to the biological product occur during the observation period, the serial is unsatisfactory. If unfavorable reactions occur which are not attributable to the product, the test shall be declared inconclusive and repeated, except that, if the test is not repeated, the serial shall be unsatisfactory.

(3) **Virus titer requirements.** Final container samples of completed product shall be tested for virus titer using the titration method used in paragraph (c) (2) of this section. To be eligible for release, each serial and each subserial shall have a virus titer sufficiently greater than the titer of vaccine virus used in the immunogenicity test prescribed in paragraph (c) of this section to assure that when tested at any time within the expiration period, each serial and subserial shall have a virus titer of 0.7 logs greater than that used in such immunogenicity test but not less than $10^{2.5}$ EID₅₀ per dose.

(e) Until a lot of Master Seed Virus is established as prescribed in paragraphs (a), (b), and (c) of this section. Each serial and subserial shall meet the applicable requirements prescribed in § 113.135, except paragraph (c), in paragraph (d) (1) of this section, and in this paragraph.

(1) **Virus titration.** * * *

(i) For release, desiccated samples shall be incubated at 37° C for not less than 7 days before preparation for use in the virus titration test. A serial or subserial which does not contain at least $10^{2.5}$ EID₅₀ per dose of avian encephalomyelitis virus shall not be released.

(3) **Safety test.** The prechallenge portion of the immunogenicity test in this paragraph shall be the safety test. If unfavorable reactions occur which are attributable to the vaccine, the serial or subserial is unsatisfactory.

2. § 113.161 is amended by revising paragraphs (a), (c) (2), and (d) (1); by adding paragraphs (d) (1) (i) and (ii); by revising paragraph (d) (2) and the

introductory portion of paragraph (e); and by adding paragraph (e) (3) to read:

§ 113.161 Avian Pox Vaccine.

(a) The Master Seed Virus shall meet the applicable requirements prescribed in § 113.135, except paragraph (c) and shall meet the requirements prescribed in this section.

(c) * * *

(2) A geometric mean titer of the dried vaccine produced from the highest passage of the Master Seed Virus shall be established before the immunogenicity test is conducted. Each vaccinee shall receive a predetermined quantity of vaccine virus. Five replicate virus titrations shall be conducted on an aliquot of the vaccine virus to confirm the amount of virus administered to each bird used in the test. At least three appropriate (not to exceed tenfold) dilutions shall be used and the test conducted as follows:

(d) * * *

(1) *Safety test.* Final container samples of completed product shall be tested for safety as follows:

(i) At least 25 fowl pox susceptible birds shall be vaccinated with the equivalent of 10 doses by each of all routes recommended on the label and be observed each day for 14 days.

(ii) If unfavorable reactions attributable to the biological product occur during the observation period, the serial is unsatisfactory. If unfavorable reactions occur which are not attributable to the product, the test shall be declared inconclusive and repeated, except that, if the test is not repeated, the serial shall be unsatisfactory.

(2) *Virus titer requirements.* Final container samples of completed product shall be tested for virus titer using the titration method used in paragraph (c) (2) of this section. To be eligible for release, each serial and each subserial shall have a virus titer sufficiently greater than the titer of vaccine virus used in the immunogenicity test prescribed in paragraph (c) of this section to assure that when tested at any time within the expiration period, each serial and subserial shall have a virus titer of 0.7 logs greater than that used in such immunogenicity test but not less than $10^{4.5}$ EID₅₀ per dose.

(e) Until a lot of Master Seed Virus is established as prescribed in paragraphs (a), (b), and (c) of this section, each serial and subserial shall meet the requirements prescribed in § 113.36, § 113.135, except paragraph (c), and in this paragraph.

(3) *Safety test.* The pre-challenge period of the immunogenicity test provided in paragraph (e) (2) of this section shall be the safety test. If any of the chickens become sick or die due to causes attributable to the product, the serial is unsatisfactory.

3. Section 113.162 is amended by revising the introductory portion of § 113.162; by revising paragraphs (b) and (c); by revising the introductory portion of paragraph (d); and by revising paragraph (d) (1), the introductory portion of (d) (3); and by revising paragraph (d) (3) (iii) to read:

§ 113.162 Bronchitis Vaccine.

Bronchitis Vaccine shall be prepared from virus-bearing cell culture fluids or embryonated chicken eggs. Only Master Seed Virus which has been established as pure, safe, and immunogenic in accordance with the requirements in paragraphs (a), (b), and (c) of this section shall be used for preparing the production seed virus for vaccine production. All serials shall be prepared from the first through the fifth passage from the Master Seed Virus.

(b) Each lot of Master Seed Virus shall be tested for pathogens by the chicken embryo inoculation test prescribed in § 113.37, except that, if the test is inconclusive because of a vaccine virus override, the test may be repeated and if the repeat test is inconclusive for the same reason, the chicken inoculation test prescribed in § 113.36 may be conducted and the virus judged accordingly.

(c) Each lot of Master Seed Virus used for vaccine production shall be tested for immunogenicity and the selected virus dose to be used shall be established as follows:

(1) Bronchitis susceptible chickens, all of the same age and from the same source, shall be used in the virus-recovery test. For each method of administration recommended on the label for each serotype against which protection is claimed, twenty or more chickens shall be used as vaccinees. Ten additional chickens for each serotype against which protection is claimed shall be held as unvaccinated controls.

(2) A geometric mean titer of the dried vaccine produced from the highest passage of the Master Seed Virus shall be established before the immunogenicity tests are conducted. Each vaccinee shall receive a predetermined quantity of vaccine virus. Five replicate virus titrations shall be conducted on an aliquot of the vaccine virus to confirm the amount of virus administered to each chicken used in such tests. At least three appropriate (not to exceed tenfold) dilutions shall be used and the test conducted as follows:

(i) For each dilution, inject at least five embryos, 9 to 11 days old, in the allantoic cavity with 0.1 ml each. Deaths occurring during the first 24 hours shall be disregarded, but at least four viable embryos in each dilution shall survive beyond 24 hours of a valid test. After 5 to 8 days incubation, examine the surviving embryos for evidence of infection.

(ii) A satisfactory titration shall have at least one dilution with between 50 and 100 percent positives and at least one dilution with between 50 and 0 percent positives.

(iii) Calculate the EID₅₀ by the Spearman-Kärber or Reed-Muench method.

(3) Twenty-one to twenty-eight days post-vaccination, all vaccinees and controls shall be challenged by eye-drop with virulent bronchitis virus. A separate set of vaccinees and controls shall be used for each serotype against which protection is claimed. Each challenge virus shall be approved or provided by Veterinary Services and shall titer at least $10^{4.5}$ EID₅₀ per ml.

(i) Tracheal swabs shall be taken once, 5 days post-challenge, from each control and vaccinee. Each swab shall be placed in a test tube containing 3 ml of tryptose phosphate broth and antibiotics. The tube and swab shall be swirled thoroughly and if they are to be stored, be immediately frozen and be stored at below -40° C pending egg evaluation. For each chicken swab, at least five chicken embryos 9 to 11 days old shall be inoculated in the allantoic cavity with 0.2 ml each of broth from each tube.

(ii) All embryos surviving the third day post-inoculation shall be used in the evaluation, except that, if a swab is not represented by at least four embryos, the test of that swab is invalid and the results inconclusive. A tracheal swab shall be positive for virus recovery when any of the embryos in a valid test show typical infectious bronchitis virus lesions, such as but not limited to, stunting, curling, kidney urates, clubbed down, or death during the 4 to 7 day post-inoculation period. If less than 20 percent of the embryos which survive the third day post-inoculation die during the 4 to 7 day post-inoculation period and show no gross lesions typical of infectious bronchitis, they may be disregarded.

(iii) If less than 90 percent of the controls are positive for virus recovery, the test is inconclusive and may be repeated.

(iv) If less than 90 percent of the vaccinees are negative for virus recovery, the Master Seed Virus is unsatisfactory.

(4) The Master Seed Virus shall be retested for immunogenicity in 3 years and each 5 years thereafter unless use of the lot previously tested is discontinued. Only one method of administration recommended on the label need be used in the retest. The vaccinees and the controls shall meet the criteria prescribed in paragraph (c) (3) of this section.

(5) An Outline of Production change shall be made before authority for use of a new lot of Master Seed Virus shall be granted by Veterinary Services.

(d) After a lot of Master Seed Virus has been established as prescribed in paragraphs (a), (b), and (c) of this section, each serial and subserial shall meet the applicable requirements in § 113.135 and the requirements prescribed in this paragraph, except that, if the vaccine contains more than one virus type, bulk samples taken from each type prior to mixing shall be used in the virus identity tests prescribed in § 113.135(c). The additional requirements in this paragraph shall also be met.

(1) Final container samples from each serial shall be tested for pathogens by

the chicken embryo inoculation test prescribed in § 113.37, except that, if the test is inconclusive because of a vaccine virus override, the test may be repeated and if the repeat test is inconclusive for the same reason, the chicken inoculation test prescribed in § 113.36 may be conducted and the vaccine judged accordingly.

(3) *Virus titer requirements.* A virus titration shall be conducted on final container of completed product from each serial and subserial using the procedure prescribed in paragraph (c) (2) of this section, and in this paragraph.

(iii) To be eligible for release, each serial and each subserial shall have a virus titer sufficiently greater than the titer of vaccine virus used in the immunogenicity test prescribed in paragraph (c) of this section to assure that when tested at any time within the expiration period, each serial and subserial shall have a virus titer of 0.7 logs greater than that used in such immunogenicity test but not less than $10^{6.5}$ EID₅₀ per dose.

4. § 113.163 is amended by revising the introductory portion of paragraph (b); by revising paragraph (d), and the introductory portion of paragraph (e); and by revising paragraph (e) (3) to read:

§ 113.163 Fowl Laryngotracheitis Vaccine.

(b) Each lot of Master Seed Virus shall be tested for pathogens by the chicken embryo inoculation test prescribed in § 113.37, except that, if the test is inconclusive because of vaccine virus override, the test may be repeated and if the repeat test is inconclusive for the same reason, the chicken inoculation test prescribed in § 113.36 may be conducted and the virus judged accordingly. Each lot shall also be tested for safety as follows:

(d) After a lot of Master Seed Virus has been established as prescribed in paragraphs (a), (b), and (c) of this section, each serial and subserial shall meet the applicable requirements in § 113.135 and the requirements prescribed in this paragraph.

(1) Final container samples from each serial shall be tested for pathogens by the chicken embryo inoculation test prescribed in § 113.37, except that, if the test is inconclusive because of a vaccine virus override, the test may be repeated and if the repeat test is inconclusive for the same reason, the chicken inoculation test prescribed in § 113.36 may be conducted and the vaccine judged accordingly.

(2) *Safety test.* Live virus vaccines prepared under special license shall be tested for safety as provided in the filed Outline of Production. Final container samples of completed product from each serial of modified live virus vaccine shall be tested for safety as provided in this paragraph.

(i) Twenty-five 3 to 4 week old laryngotracheitis susceptible chickens shall be injected intratracheally with 0.2 ml of vaccine rehydrated at the rate of 30 mls for 1,000 doses. Chickens shall be observed each day for 14 days. Deaths shall be counted as failures. Two-stage sequential testing may be conducted if the first test (which then becomes stage one) has five, six, or seven failures.

(ii) The results shall be evaluated according to the following table:

Cumulative totals			
Stage	Number of chickens	Failures for satisfactory serials	Failures for unsatisfactory serials
1.....	25	4 or less.....	8 or more.
2.....	50	10 or less.....	11 or more.

(iii) If unfavorable reactions occur which are not attributable to the product, the test shall be declared inconclusive and repeated or in lieu thereof, the serial declared unsatisfactory.

(3) *Virus titer requirements.* Final container samples of completed product shall be tested for virus titer using the titration method provided in paragraphs (c) (2) or (3) of this section. To be eligible for release, each serial and each subserial shall have a virus titer sufficiently greater than the titer of vaccine virus used in the immunogenicity test prescribed in paragraph (c) of this section to assure that when tested at any time within the expiration period, each serial and subserial shall have a virus titer of 0.7 logs greater than that used in such immunogenicity test but not less than $10^{6.5}$ EID₅₀ per dose for chicken embryo origin vaccine and $10^{6.5}$ EID₅₀ or $10^{7.5}$ TCID₅₀ per dose for tissue culture origin vaccine.

(e) Until a lot of Master Seed Virus is established as prescribed in paragraphs (a), (b), and (c) of this section, each serial and subserial shall meet the applicable requirements prescribed in § 113.135, except paragraph (c), in paragraph (d) (1) of this section and the requirements prescribed in this paragraph.

(3) *Safety test.* Live virus vaccines prepared under special license shall be tested for safety as provided in the filed Outline of Production. Final container samples of completed product from each serial or one subserial of modified live virus vaccine shall be tested for safety in ten or more susceptible chickens obtained from the same source and hatch as those used in the immunogenicity test prescribed in paragraph (e) (2) of this section. Each shall be injected intratracheally with 0.2 ml of the vaccine prepared for use as recommended on the label and observed each day for 14 days. If more than 20 percent of the chickens die during the observation period the serial or subserial is unsatisfactory.

5. § 113.164 is amended by revising paragraphs (b), (c) (3), (d), and the introductory portion of paragraph (e); by revising paragraphs (e) (2) (iii) and (e) (3)

(i) and (ii); and by deleting paragraphs (e) (3) (iii) and (iv) to read:

§ 113.164 Newcastle Disease Vaccine.

(b) Each lot of Master Seed Virus shall be tested for pathogens by the chicken embryo inoculation test prescribed in § 113.37, except that, if the test is inconclusive because of a vaccine virus override, the test may be repeated and if the repeat test is inconclusive for the same reasons, the chicken inoculation test prescribed in § 113.36 may be conducted and the virus judged accordingly.

(c) * * *

(3) Twenty to twenty-eight days postvaccination, all vaccinates and controls shall be challenged intramuscularly with at least $10^{4.5}$ EID₅₀ of virus per chicken and observed each day for 14 days. Challenge virus shall be provided or approved by Veterinary Services.

(d) After a lot of Master Seed Virus has been established as prescribed in paragraphs (a), (b), and (c) of this section, each serial and subserial shall meet the applicable requirements in § 113.135, except § 113.34, and the requirements prescribed in this paragraph.

(1) Final container samples from each serial shall be tested for pathogens by the chicken embryo inoculation test prescribed in § 113.37, except that, if the test is inconclusive because of a vaccine virus override, the test may be repeated and if the repeat test is inconclusive for the same reason, the chicken inoculation test prescribed in § 113.36 may be conducted and the vaccine judged accordingly.

(2) *Safety test:* Final container samples of completed product from each serial shall be tested to determine whether the vaccine is safe for use in susceptible young chickens. Vaccines recommended for use in chickens 10 days of age or younger shall be tested in accordance with paragraphs (d) (2) (i), (ii), and (iii) of this section.

(i) Twenty-five susceptible chickens, 5 days of age or younger, properly identified and obtained from the same source and hatch, shall be vaccinated by the eye drop method with the equivalent of 10 doses of vaccine and the chickens observed each day for 21 days. Severe respiratory signs or death shall be counted as failures. Two-stage sequential testing may be conducted if the first test (which then becomes stage one) has 3 failures.

(ii) The results shall be evaluated according to the following table:

Cumulative totals			
Stage	Number of chickens	Failures for satisfactory serials	Failures for unsatisfactory serials
1.....	25	2 or less.....	4 or more.
2.....	50	5 or less.....	6 or more.

(iii) If unfavorable reactions occur which are not attributable to the prod-

uct, the test shall be declared inconclusive and may be repeated.

(iv) Vaccines not recommended for use in chickens 10 days of age or younger shall be tested for safety as follows:

Each of twenty-five 3 to 5 week old Newcastle disease susceptible chickens shall be vaccinated as recommended on the label with the equivalent of ten doses and observed each day for 21 days. If any of the birds show severe clinical signs of disease or death during the observation period due to causes attributable to the product, the serum is unsatisfactory.

(3) *Virus titer requirements.* Final container samples of completed product shall be tested for virus titer using the titration method used in paragraph (c) (2) of this section. To be eligible for release, each serial and each subserial shall have a virus titer sufficiently greater than the titer of vaccine virus used in the immunogenicity test prescribed in paragraph (c) of this section to assure that when tested at any time within the expiration period, each serial and subserial shall have a virus titer of 0.7 logs greater than that used in such immunogenicity test but not less than $10^{4.5}$ EID₅₀ per dose.

(e) Until a lot of Master Seed Virus is established as prescribed in paragraphs (a), (b), and (c) of this section, each serial and subserial shall meet the applicable requirements prescribed in § 113.135, except paragraph (c) and § 113.34, in paragraphs (d) (1) and (2) of this section and the requirements prescribed in this paragraph.

(2) * * *

(iii) Twenty to twenty-eight days postvaccination, the vaccinates and the controls shall be challenged intramuscularly with at least $10^{4.5}$ EID₅₀ Newcastle disease virus provided or approved by Veterinary Services. The chickens shall be observed each day for 14 days.

(3) * * *

(i) Vaccines recommended for use in chickens 10 days of age or younger shall be tested in accordance with paragraphs (d) (3) (i), (ii), and (iii) of this section.

(ii) For vaccines not recommended for use in chickens 10 days of age or younger, the pre-challenge period of the immunogenicity test provided in subparagraph (e) (2) of this section shall be the safety test. If any of the birds show severe clinical signs of disease or death during the observation period due to causes attributable to the product, the serial is unsatisfactory.

6. Paragraph (d) of § 113.165 is revised to read:

§ 113.165 *Marck's Disease Vaccine.*

(d) Test requirements for release: Except for the virus identity tests in § 113.135(c), each serial and subserial shall meet the applicable requirements prescribed in § 113.135. Final container samples of completed product shall also meet the requirements in paragraphs (d) (1),

(2), and (3) of this section. Any serial or subserial found unsatisfactory by a prescribed test shall not be released.

(37 Stat. 9 CFR, 151-158 U.S.C.)

Effective date. These amendments take effect May 30, 1975.

Done at Washington, D.C., this 21st day of April 1975.

J. M. HEIL,
Deputy Administrator, Veterinary
Services, Animal and
Plant Health Inspection Service.

[FR Doc. 75-11046 Filed 4-25-75; 8:45 am]

Title 10—Energy

CHAPTER II—FEDERAL ENERGY ADMINISTRATION

PART 207—COLLECTION OF INFORMATION

Authorized Energy Information; Collection and Procedure

On January 6, 1975, the Federal Energy Administration issued a notice of proposed rulemaking (40 FR 2212, January 10, 1975) to establish Subpart A of Part 207 of Chapter II of Title 10 of the Code of Federal Regulations, which would set forth the manner in which energy information that the FEA is authorized to obtain by the Energy Supply and Environmental Coordination Act of 1974 (ESECA) will be collected.

Fifteen written comments were received in response to the notice of proposed rulemaking. All comments received have been considered, and several modifications to the proposed regulations have been made that reflect FEA's consideration of these comments as well as other information available to FEA.

Section 207.3(f), as proposed, would require FEA officers or employees, prior to entering a business premise or facility to inspect the facility, or to examine books or records, to present appropriate credentials and a written notice from the Administrator. That section has been amended to make explicit that the notice must "reasonably describe" the premise or facility to be inspected, the stock to be inventoried or sampled, or the books, records, papers or other documents to be examined or copied.

Several comments requested that the regulations specify procedures by which confidentiality of energy information would be determined. Section 207.4(b) has been amended to require the Administrator, to the maximum extent practicable, by ruling or otherwise, to inform respondents who provide energy information to FEA under this subpart as to whether such information will be made available to the public pursuant to requests under the Freedom of Information Act, 5 U.S.C. 552.

Several comments addressed the issue of how requests for exceptions and similar requests should be filed. A new § 207.9 has been added which specifically references the provisions of Part 205 relating to filing of applications for excep-

tions and exemptions, and requests for interpretations, as well as those provisions relating to rulings and rulemakings.

In addition, a new § 207.6 has been added providing that FEA may issue notices of probable violation, remedial orders and remedial orders for immediate compliance in the event that it has reason to believe, or finds that a violation of the requirements of the subpart has occurred, is occurring, or is about to occur.

A number of comments were received which requested FEA to coordinate data gathering on the petroleum industry between federal agencies, in order to reduce the reporting burden on individual companies. The Federal Reports Act (Chapter 35 of Title 44, United States Code) provides procedures for reviewing reporting requirements imposed by federal agencies to reduce unnecessary, duplicative reporting burdens; this authority is placed in the Office of Management and Budget and the General Accounting Office. In addition, pursuant to FEA's legislative mandate under the Federal Energy Administration Act of 1974 to collect and evaluate energy information, FEA has been providing assistance to other federal agencies to attempt to ensure that Federal energy data requirements are not unnecessarily burdensome, and to improve the quality and timeliness of energy data.

Several comments requested that the regulations require reasonable notice be given before FEA inspection of facilities and records. While FEA will give reasonable notice where feasible, such notice may be inconsistent in some instances with the purposes of the inspection. This amendment has, therefore, not been adopted.

One comment requested that costs for collecting and reporting energy information be included in product cost. The regulations contained in Part 207 do not deal with calculation of product cost and therefore do not provide an appropriate vehicle for consideration of such an amendment.

Several comments stated that the regulations were excessively general, and that terms should be defined more specifically will be provided in individual rules, orders, questionnaires and other means of gathering information concerning, for example, the type of information required, the showing of confidentiality that must be made, and the method by which the information will be gathered.

(Federal Energy Administration Act of 1974, Pub. L. 93-275; Energy Supply and Environmental Coordination Act of 1974, Pub. L. 93-319; E.O. 11790, 39 FR 23185).

In consideration of the foregoing, Subpart A of Part 207 of Chapter II, Title 10 of the Code of Federal Regulations is established as set forth below, effective immediately.

Issued in Washington, D.C. April 23, 1975.

ROBERT E. MONTGOMERY, Jr.,
General Counsel.

Part 207 is added to read as follows:

Subpart A—Collection of Information Under the Energy Supply and Environmental Coordination Act of 1974

Sec.

- 207.1 Purpose.
- 207.2 Definitions.
- 207.3 Method of collecting energy information under ESECA.
- 207.4 Confidentiality of energy information.
- 207.5 Violations.
- 207.6 Notice of probable violation and remedial order.
- 207.7 Sanctions.
- 207.8 Judicial actions.
- 207.9 Exceptions, exemptions, interpretations, rulings and rulemakings.

AUTHORITY: Federal Energy Administration Act of 1974, Pub. L. 93-275; Energy Supply and Environmental Coordination Act of 1974, Pub. L. 93-319; E.O. 11790, 39 FR 23185.

Subpart A—Collection of Information Under the Energy Supply and Environmental Coordination Act of 1974

§ 207.1 Purpose.

The purpose of this subpart is to set forth the manner in which energy information which the Administrator is authorized to obtain by sections 11 (a) and (b) of ESECA will be collected.

§ 207.2 Definitions.

As used in this subpart:

"Administrator" means the Federal Energy Administrator or his delegate.

"Energy information" includes all information in whatever form on (1) fuel reserves, exploration, extraction, and energy resources (including petrochemical feedstocks) wherever located; (2) production, distribution, and consumption of energy and fuels, wherever carried on; and (3) matters relating to energy and fuels such as corporate structure and proprietary relationships, costs, prices, capital investment, and assets, and other matters directly related thereto, wherever they exist.

"ESECA" means the Energy Supply and Environmental Coordination Act of 1974 (Pub. L. 93-319).

"EPAA" means the Emergency Petroleum Allocation Act of 1973 (Pub. L. 93-159).

"FEA" means the Federal Energy Administration.

"Person" means any natural person, corporation, partnership, association, consortium, or any entity organized for a common business purpose, wherever situated, domiciled, or doing business, who directly or through other persons subject to their control does business in any part of the United States.

"United States," when used in the geographical sense, means the States, the District of Columbia, Puerto Rico, and the territories and possessions of the United States.

§ 207.3 Method of collecting energy information under ESECA.

(a) Whenever the Administrator determines that:

(1) Certain energy information is necessary to assist in the formulation of energy policy or to carry out the purposes of the ESECA of the EPAA; and

(2) Such energy information is not available to FEA under the authority of

statutes other than ESECA or that such energy information should, as a matter of discretion, be collected under the authority of ESECA;

He shall require reports of such information to be submitted to FEA at least every ninety calendar days.

(b) The Administrator may require such reports of any person who is engaged in the production, processing, refining, transportation by pipeline, or distribution (at other than the retail level) of energy resources.

(c) The Administrator may require such reports by rule, order, questionnaire, or such other means as he determines appropriate.

(d) Whenever reports of energy information are requested under this Subpart, the rule, order, questionnaire, or other means requesting such reports shall contain (or be accompanied by) a recital that such reports are being requested under the authority of ESECA.

(e) In addition to requiring reports, the Administrator may, at his discretion, in order to obtain energy information under the authority of ESECA:

(1) Sign and issue subpoenas in accordance with the provisions of § 205.8 of this chapter for the attendance and testimony of witnesses and the production of books, records, papers, and other documents;

(2) Require any person, by rule or order, to submit answers in writing to interrogatories, requests for reports or for other information, with such answers or other submissions made within such reasonable period as is specified in the rule or order, and under oath; and

(3) Administer oaths.

Any such subpoena or rule or order shall contain (or be accompanied by) a recital that energy information is requested under the authority of ESECA.

(f) For the purpose of verifying the accuracy of any energy information requested, acquired, or collected by the FEA, the Administrator, or any officer or employee duly designated by him, upon presenting appropriate credentials and a written notice from the Administrator to the owner, operator, or agent in charge, may—

(1) Enter, at reasonable times, any business premise of facility; and

(2) Inspect, at reasonable times and in a reasonable manner, any such premise or facility, inventory and sample any stock of energy resources therein, and examine and copy books, records, papers, or other documents, relating to any such energy information.

Such written notice shall reasonably describe the premise or facility to be inspected, the stock to be inventoried or sampled, or the books, records, papers or other documents to be examined or copied.

§ 207.4 Confidentiality of energy information.

(a) Information obtained by the FEA under authority of ESECA shall be available to the public in accordance with the provisions of Part 202 of this chapter. Upon a showing satisfactory to the Ad-

ministrator by any person that any energy information obtained under this subpart from such person would, if made public, divulge methods or processes entitled to protection as trade secrets or other proprietary information of such person, such information, or portion thereof, shall be deemed confidential in accordance with the provisions of section 1905 of title 18, United States Code; except that such information, or part thereof, shall not be deemed confidential pursuant to that section for purposes of disclosure, upon request, to (1) any delegate of the FEA for the purpose of carrying out ESECA or the EPAA, (2) the Attorney General, the Secretary of the Interior, the Federal Trade Commission, the Federal Power Commission, or the General Accounting Office, when necessary to carry out those agencies' duties and responsibilities under ESECA and other statutes, and (3) the Congress, or any Committee of Congress upon request of the Chairman.

(b) Whenever the Administrator requests reports of energy information under this subpart, he may specify (in the rule, order or questionnaire or other means by which he has requested such reports) the nature of the showing required to be made in order to satisfy FEA that certain energy information contained in such reports warrants confidential treatment in accordance with this section. He shall, to the maximum extent practicable, either before or after requesting reports, by ruling or otherwise, inform respondents providing energy information pursuant to this subpart of whether such information will be made available to the public pursuant to requests under the Freedom of Information Act (5 U.S.C. 552).

§ 207.5 Violations.

Any practice that circumvents or contravenes or results in a circumvention or contravention of the requirements of any provision of this subpart or any order issued pursuant thereto is a violation of the FEA regulations stated in this subpart.

§ 207.6 Notice of probable violation and remedial order.

(a) *Purpose and scope.* (1) This section establishes the procedures for determining the nature and extent of violations of this subpart and the procedures for issuance of a notice of probable violation, a remedial order or a remedial order for immediate compliance.

(2) When the FEA discovers that there is reason to believe a violation of any provision of this subpart, or any order issued thereunder, has occurred, is continuing or is about to occur, the FEA may conduct proceedings to determine the nature and extent of the violation and may issue a remedial order thereafter. The FEA may commence such proceeding by serving a notice of probable violation or by issuing a remedial order for immediate compliance.

(b) *Notice of probable violation.* (1) The FEA may begin a proceeding under this subpart by issuing a notice of probable violation if the FEA has reason to

believe that a violation has occurred, is continuing, or is about to occur.

(2) Within 10 days of the service of a notice of probable violation, the person upon whom the notice is served may file a reply with the FEA office that issued the notice of probable violation at the address provided in § 205.12 of this chapter. The FEA may extend the 10-day period for good cause shown.

(3) The reply shall be in writing and signed by the person filing it. The reply shall contain a full and complete statement of all relevant facts pertaining to the act or transaction that is the subject of the notice of probable violation. Such facts shall include a complete statement of the business or other reasons that justify the act or transaction, it appropriate; a detailed description of the act or transaction; and a full discussion of the pertinent provisions and relevant facts reflected in any documents submitted with the reply. Copies of all relevant documents shall be submitted with the reply.

(4) The reply shall include a discussion of all relevant authorities, including, but not limited to, FEA rulings, regulations, interpretations, and decisions on appeals and exceptions relied upon to support the particular position taken.

(5) The reply should indicate whether the person requests or intends to request a conference regarding the notice. Any request not made at the time of the reply shall be made as soon thereafter as possible to insure that the conference is held when it will be most beneficial. A request for a conference must conform to the requirements of Subpart M of Part 205 of this chapter.

(6) If a person has not filed a reply with the FEA within the 10-day period provided, and the FEA has not extended the 10-day period, the person shall be deemed to have conceded the accuracy of the factual allegations and legal conclusions stated in the notice of probable violation.

(7) If the FEA finds, after the 10-day period provided in § 207.6(b)(2), that no violation has occurred, is continuing, or is about to occur, or that for any reason the issuance of a remedial order would not be appropriate, it shall notify, in writing, the person to whom a notice of probable violation has been issued that the notice is rescinded.

(c) *Remedial order.* (1) If the FEA finds, after the 10-day period provided in § 207.6(b)(2), that a violation has occurred, is continuing, or is about to occur, the FEA may issue a remedial order. The order shall include a written opinion setting forth the relevant facts and the legal basis of the remedial order.

(2) A remedial order issued under this subpart shall be effective upon issuance, in accordance with its terms, until stayed, suspended, modified or rescinded. The FEA may stay, suspend, modify or rescind a remedial order on its own initiative or upon application by the person to whom the remedial order is issued. Such action and application shall be in accordance with the procedures for such

proceedings provided for in Part 205 of this chapter.

(3) A remedial order may be referred at any time to the Department of Justice for appropriate action in accordance with § 207.7.

(d) *Remedial order for immediate compliance.* (1) Notwithstanding paragraphs (b) and (c) of this section, the FEA may issue a remedial order for immediate compliance, which shall be effective upon issuance and until rescinded or suspended, if it finds:

(i) There is a strong probability that a violation has occurred, is continuing or is about to occur;

(ii) Irreparable harm will occur unless the violation is remedied immediately; and

(iii) The public interest requires the avoidance of such irreparable harm through immediate compliance and waiver of the procedures afforded under paragraphs (b) and (c) of this section.

(2) A remedial order for immediate compliance shall be served promptly upon the person against whom such order is issued by telex or telegram, with a copy served by registered or certified mail. The copy shall contain a written statement of the relevant facts and the legal basis for the remedial order for immediate compliance, including the findings required by subparagraph (1) of this paragraph.

(3) The FEA may rescind or suspend a remedial order for immediate compliance if it appears that the criteria set forth in subparagraph (1) of this paragraph are no longer satisfied. When appropriate, however, such a suspension or rescission may be accompanied by a notice of probable violation issued under paragraph (b) of this section.

(4) If at any time in the course of a proceeding commenced by a notice of probable violation the criteria set forth in subparagraph (1) of this paragraph are satisfied, the FEA may issue a remedial order for immediate compliance, even if the 10-day period for reply specified in § 207.6(b)(2) of this part has not expired.

(5) At any time after a remedial order for immediate compliance has become effective the FEA may refer such order to the Department of Justice for appropriate action in accordance with § 207.7 of this part.

(e) *Remedies.* A remedial order or a remedial order for immediate compliance may require the person to whom it is directed to take such action as the FEA determines is necessary to eliminate or to compensate for the effects of a violation.

(f) *Appeal.* (1) No notice of probable violation issued pursuant to this subpart shall be deemed to be an action of which there may be an administrative appeal.

(2) Any person to whom a remedial order or a remedial order for immediate compliance is issued under this subpart may file an appeal with the FEA Office of Exceptions and Appeals in accordance with the procedures for such appeal provided in subpart H of Part 205 of

this chapter. The appeal must be filed within 10 days of service of the order from which the appeal is taken.

§ 207.7 Sanctions.

(a) *General.* (1) Penalties and sanctions shall be deemed cumulative and not mutually exclusive.

(2) Each day that a violation of the provisions of this subpart or any order issued pursuant thereto continues shall be deemed to constitute a separate violation within the meaning of the provisions of this subpart relating to criminal fines and civil penalties.

(b) *Criminal penalties.* Any person who willfully violates any provision of this subpart or any order issued pursuant thereto shall be subject to a fine of not more than \$5,000 for each violation. Criminal violations are prosecuted by the Department of Justice upon referral by the FEA.

(c) *Civil penalties.* (1) Any person who violates any provision of this subpart or any order issued pursuant thereto shall be subject to a civil penalty of not more than \$2,500 for each violation. Actions for civil penalties are prosecuted by the Department of Justice upon referral by the FEA.

(2) When the FEA considers it to be appropriate or advisable, the FEA may compromise and settle, and collect civil penalties.

§ 207.8 Judicial actions.

(a) *Enforcement of subpoenas; contempt.* Any United States district court within the jurisdiction of which any inquiry is carried on may, upon petition by the Attorney General at the request of the Administrator, in the case of refusal to obey a subpoena or order of the Administrator issued under this subpart, issue an order requiring compliance. Any failure to obey such an order of the court may be punished by the court as contempt.

(b) *Injunctions.* Whenever it appears to the Administrator that any person has engaged, is engaged, or is about to engage in any act or practice constituting a violation of any regulation or order issued under this subpart, the Administrator may request the Attorney General to bring a civil action in the appropriate district court of the United States to enjoin such acts or practices and, upon a proper showing, a temporary restraining order or preliminary or permanent injunction shall be granted without bond. The relief sought may include a mandatory injunction commanding any person to comply with any provision of such order or regulation, the violation of which is prohibited by section 12(a) of ESECA, as implemented by this subpart.

§ 207.9 Exceptions, exemptions and interpretations, rulings and rule-making.

Applications for exceptions, exemptions or requests for interpretations relating to this subpart shall be filed in accordance with the procedures provided in Subparts D, E and F, respectively, of Part 205 of this chapter. Rulings shall

be issued in accordance with the procedures of Subpart K of Part 205 of this chapter. Rulemakings shall be undertaken in accordance with the procedures provided in Subpart L of Part 205 of this chapter.

[FR Doc.75-11012 Filed 4-23-75;3:50 am]

Title 49—Transportation

CHAPTER V—NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

[Docket No. 70-27; Notice 14]

PART 571—FEDERAL MOTOR VEHICLE SAFETY STANDARDS

Hydraulic Brake Systems

This notice amends Standard No. 105-75, *Hydraulic brake systems*, 49 CFR 571.105-75, to make it applicable only to passenger cars equipped with hydraulic brake systems. This amendment has the effect of withdrawing the standard's applicability to multipurpose passenger vehicles (MPV's), trucks, and buses equipped with hydraulic brake systems.

The National Highway Traffic Safety Administration (NHTSA) proposed a 4-month delay of the standard as it applies to passenger cars and indefinite delay as it applies to other hydraulic-braked vehicles (40 FR 10483, March 6, 1975). Manufacturers responded to the proposed 4-month delay for passenger cars with objections to technical features of the standard, the costs of mid-year changes, and NHTSA's estimate of the standard's safety benefits. While consideration of these issues continues, a decision has been made to withdraw the standard's applicability to trucks, buses, and MPV's.

NHTSA proposed withdrawal of the standard because of uncertainty that the particular performance levels established for trucks, MPV's, and buses by Standard No. 105-75 were justified in view of their costs. It is clear that truck braking is in many cases substantially poorer than passenger car braking, and that the generally longer stopping distances and the greater severity of truck accidents justify a safety standard for these vehicles. At the same time, the costs of meeting Standard No. 105-75 in all truck, bus, and MPV model lines are substantial and NHTSA is not prepared to conclude that they are justified in view of achievable safety benefits.

The Center for Auto Safety (CFAS) questioned NHTSA's right to propose withdrawal of a promulgated rule in response to manufacturer cost objections without publication of the agency's evaluation of the submitted cost data. As authority, CFAS cites the newly-enacted cost information provisions of the National Traffic and Motor Vehicle Safety Act (15 U.S.C. 1402).

In this case manufacturers submitted costs for light- to medium-duty trucks that ranged from \$54 to \$775 per unit (depending on model configuration) to attain compliance with the standard. NHTSA compared these figures with independently-gathered detailed cost and mark-up information and substantiated

that the manufacturer's estimates were accurate. This material has been formally compiled as required by the Act and has been made public in the docket (70-27; Notice 12).

CFAS, the Consumer's Union, Ms. Susan P. Baker of Johns Hopkins University, the Insurance Institute for Highway Safety, and the Permanente Medical Group stressed the importance of a brake standard for these vehicles. NHTSA agrees and intends to issue interim requirements for MPV's, trucks, and buses equipped with hydraulic brake systems. However, NHTSA concludes that the Standard 105-75 requirements in their present form cannot be justified for trucks, buses, and MPV's on the basis of the data available at this time.

In consideration of the foregoing, Standard No. 105-75 (49 CFR 571.105-75) is amended so that S3, *Application*, reads as follows:

§ 571.105-75 Standard No. 105-75; Hydraulic brake systems (Effective Sept. 1, 1975).

S3. *Application*. This standard applies to passenger cars equipped with hydraulic service brake systems.

Effective date: September 1, 1975. Because the effective date of the standard for trucks, buses, and MPV's was less than 180 days after the date of publication of this amendment in the FEDERAL REGISTER, it is found for good cause shown that an effective date less than 180 days from the date of publication is in the public interest.

(Sec. 103, 119, Pub. L. 89-563, 80 Stat. 718 (15 U.S.C. 1392, 1407); delegation of authority at 49 CFR 1.51).

Issued on April 25, 1975.

JAMES B. GREGORY,
Administrator.

[FR Doc.75-11228 Filed 4-25-75;11:09 am]

Title 12—Banks and Banking

CHAPTER V—FEDERAL HOME LOAN BANK BOARD

SUBCHAPTER D—FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

[No. 75-331]

PART 563—OPERATIONS

Documentation of Loans to One Borrower

APRIL 10, 1975.

The following outline regarding the amendment adopted by this Resolution is included for the reader's convenience and is subject to the full explanation in the following preamble and to specific provisions in the regulations.

I. Present Regulation. Requires that records be maintained by an insured institution whenever a real estate loan to any one borrower is made in an amount which, when added to the total outstanding balance of its other loans to the borrower, exceeds \$100,000.

II. Amended Regulation. Increases the amount of real estate loans to one bor-

rower that may be outstanding before records must be maintained by an insured institution from \$100,000 to \$250,000 or 2% of the institution's net worth, whichever is greater, but in all cases where such outstanding loans exceed \$1,000,000.

III. Reason for the Amendment. The increase will help alleviate the record keeping burden of insured institutions.

The Federal Home Loan Bank Board considers it desirable to amend Part 563 of the rules and regulations for Insurance of Accounts (12 CFR Part 563) by revising § 563.9-3(c) for the purpose of alleviating the record keeping burden imposed upon insured institutions.

The present § 563.9-3(c) requires that records be maintained by an insured institution whenever a real estate loan to any one borrower is made in an amount which, when added to the total outstanding balance of its other loans to the borrower, exceeds \$100,000. Such records include documentation showing the loan was made within the regulatory limitation of being the lesser of 10% of the institution's withdrawable accounts or an amount equal to the institution's net worth.

Under this amendment the amount of real estate loans to one borrower that may be outstanding before the maintenance of records and documentation becomes necessary is increased from \$100,000 to \$250,000 or 2% of net worth, whichever is greater. However, in all cases where the total balance of loans outstanding to one borrower exceeds \$1,000,000, the records of the insured institution must include documentation showing that subsequent loans to such borrower were within the regulation limitation of being the lesser of 10% of the institution's withdrawable accounts or an amount equal to the institution's net worth.

Accordingly, the Board hereby amends said § 563.9-3 by revising paragraph (c) thereof to read as set forth below, effective April 28, 1975.

Since the above amendments relieve restrictions, the Board hereby finds that notice and public procedure with respect to said amendments are unnecessary under the provisions of 12 CFR 508.11 and 5 U.S.C. 553(b); and since publication of said amendments for the 30-day period specified in 12 CFR 508.14 and 5 U.S.C. 553(d) prior to the effective date of the Board, likewise be unnecessary for the same reason, the Board hereby provides that said amendments will become effective as hereinbefore set forth.

§ 563.9-3 Loans to one borrower.

(c) *Determination by institution; maintenance of records.* If an insured institution or service corporation affiliate thereof make a loan to any one borrower, as defined in paragraph (a) of this section, in an amount which, when added to the total balances of all outstanding loans on the security of real estate owed to such institution and its service corporation affiliates by such borrower, exceeds \$250,000 or 2% of the net worth of

such institution, whichever is greater, but in all cases where such outstanding loans exceed \$1,000,000, the records of such institution or its service corporation affiliate with respect to such loan shall include documentation showing that such loan was made within the limitations of paragraph (b) of this section; for the purpose of such documentation such institution or service corporation affiliate may require, and may accept in good faith, a certification by the borrower identifying the persons, entities, and interests described in the definition of one borrower in paragraph (a) of this section.

(Secs. 402, 403, 48 Stat. 1256, 1257, as amended (12 U.S.C. 1725, 1726. Reorg. Plan No. 3 of 1947, 12 FR 4981, 3 CFR, 1943-48 Comp., p. 1071))

By the Federal Home Loan Bank Board.

[SEAL] GREENVILLE L. MILLARD, Jr.,
Assistant Secretary.

[FR Doc. 75-10989 Filed 4-25-75; 8:45 am]
[Reg. M]

PART 213—FOREIGN ACTIVITIES OF NATIONAL BANKS

Interpretation of Foreign Bank

Under section 25 of the Federal Reserve Act (12 U.S.C. 601), member banks may, with prior Board permission, directly or indirectly acquire and hold stock or other evidences of ownership in one or more foreign banks, and, notwithstanding the provisions of section 23A of the Federal Reserve Act (12 U.S.C. 371c), make loans or extensions of credit to or for the account of such banks in the manner and within the limits prescribed by the Board of Governors by general or specific regulation or ruling.

In several recent applications filed with the Board by member banks under section 25 of the Federal Reserve Act, the issue has arisen as to whether particular foreign institutions can be considered as foreign banks for the purposes of section 25 of the Act and §§ 213.4 and 213.5 of this part (Regulation M) which implement the relevant provisions of section 25. In the Board's judgment, a foreign bank for purposes of section 25 of the Act should be interpreted to mean, with certain limited exceptions described in the following interpretation, foreign institutions that are principally engaged in a commercial banking business. In applying this test, however, the Board has adopted certain minimum criteria which have to be met in every case under section 25 unless a specific exception adopted by the Board applies.

Part 213 of Title 12 is amended by adding the following new section:

§ 213.105 Interpretation of foreign bank for purposes of section 25 of the Federal Reserve Act.

(a) Under the third paragraph of section 25 of the Federal Reserve Act, as

amended (12 U.S.C. 601), any national banking association¹ possessing a capital and surplus of \$1,000,000 or more may file application with the Board for permission, upon such conditions and under such regulations as may be prescribed by the Board, "to acquire and hold, directly or indirectly, stock or other evidences of ownership in one or more banks organized under the law of a foreign country or a dependency or insular possession of the United States and not engaged, directly or indirectly, in any activity in the United States except as, in the judgment of the Board shall be incidental to the international or foreign business of such foreign bank; and, notwithstanding the provisions of section 23A of the Federal Reserve Act (12 U.S.C. 371c), to make loans or extensions of credit to or for the account of such bank in the manner and within the limits prescribed by the Board by general or specific regulation or ruling."

(b) Pursuant to its authority under the third paragraph of section 25 of the Federal Reserve Act, the Board has promulgated § 213.4 of this part (Regulation M), which sets forth appropriate conditions and limitations on a member bank's acquisition and holding, directly or indirectly, of the stock or other evidences of ownership in one or more foreign banks, and § 213.5 of this part which allows a member bank, which holds directly or indirectly² stock or other evidences of ownership in a foreign bank, to make loans or extensions of credit to or for the account of such foreign bank without regard to the provisions of section 23A of the Federal Reserve Act (12 U.S.C. 371c).

(c) In several recent applications filed with the Board by member banks under section 25 of the Act, the issue has arisen as to whether particular foreign institutions can be considered as foreign banks for the purposes of section 25 of the Act and §§ 213.4 and 213.5 of this part. While the Board has by regulation defined the term "foreign bank" to mean a bank organized under the law of a foreign country and not engaged, directly or indirectly, in any activity in the United States except as, in the judgment of the Board, shall be incidental to the international or foreign business of such foreign bank,³ such definition imposes the statutory limitation on activities in the United States that can be conducted by a foreign bank, the shares of which are owned by a member bank, and does not define as a threshold matter which foreign institutions can be considered as

¹ Paragraph 20 of section 9 of the Federal Reserve Act (12 U.S.C. 335) also makes the provisions of section 25 applicable to State member banks.

foreign banks eligible for investment and Board exemption from the provisions of section 23A under section 25 of the Act.

(d) Congress in the third paragraph of section 25 of the Act has imposed incorporation and other requirements intended to ensure that a foreign bank acquired under that section is not engaged in a domestic banking business. Congress did not, however, specify in section 25 the criteria a foreign institution must satisfy in order to be considered a foreign bank for purposes of that section.⁴ The third paragraph of section 25 was enacted in 1966 in order to give member banks organizational flexibility in conducting their banking operations abroad. Prior to its enactment, the Board had interpreted the "stock purchase" prohibitions of section 5136 of the Revised Statutes as preventing member banks from acquiring directly the shares of foreign banks. Thus, until that time, member banks were limited to conducting their banking operations abroad either through branches established under section 25 or through agencies, branches or subsidiaries of their Edge or Agreement Corporations established, respectively, under section 25(a) or section 25 of the Federal Reserve Act. Because the laws of some foreign countries prevented the establishment of branches and because the holding of shares of foreign banks through Edge or Agreement Corporation subsidiaries resulted in an unnecessary layering of organizational relationships, the enactment of the third paragraph of section 25 essentially was intended to allow member banks to hold directly the shares of foreign banks, instead of holding them indirectly through their Edge or Agreement Corporation subsidiaries.⁵ The provision in that paragraph which gives the Board the power to waive the restrictions of section 23A on loans or extensions of credit from a member bank to its foreign bank affiliate was supported by the Board because section 23A in such circumstance tends to restrict normal correspondent banking relationships between banks and their foreign bank affiliates.

(e) In the Board's judgment, a foreign bank for purposes of section 25 of the Act and §§ 213.4 and 213.5 of this part should be interpreted to mean, with certain limited exceptions hereinafter de-

² Whether through a corporation operating under section 25 of the Act or organized under section 25(a) of the Act, or otherwise.

³ Section 213.2 of this part.

⁴ While the term "bank" is defined in section 1 of the Federal Reserve Act (12 U.S.C. 221), that definition "... State bank, banking association, and trust company" is not applicable in the context of section 25.

⁵ See 112 Cong. Rec. 11866 (1966) (remarks of Senator Robertson).